### **Key contacts**

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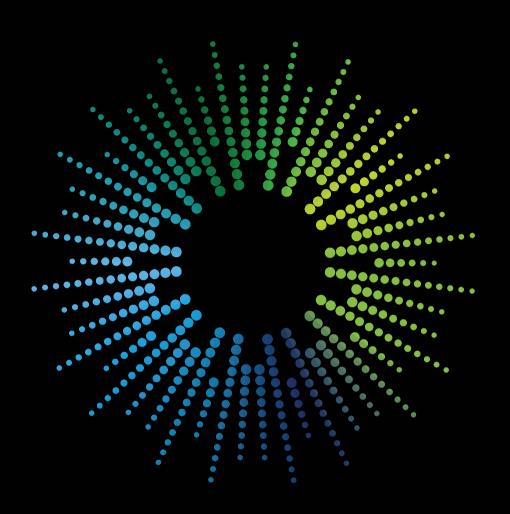
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### Expense side TDS compliance for Clause 34

**Product Overview** 

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Tax



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Clause 34 of the Tax Audit Report (Form 3CD) requires Tax Auditors to comment on the overall Tax Deducted at Source (TDS) compliances by the tax payers. In accordance with the guidelines issued by ICAI on this clause, the auditors ask for a reconciliation of Financial statements with the TDS returns.



If the reconciliation is not given, the auditors usually qualify stating "As the information furnished is not reconciled to the books of account, we are unable to comment on the completeness of the same along with the consequent impact, if any, on clause 21(b)."



The reconciliation requires clients to provide auditors with transaction-wise details of expenses on which tax has been deducted and those expenses on which tax has not been deducted. Against the expenses where tax has not been deducted a reasoning is required to be given so that the auditors can judge whether disallowance u/s 40(a)(i)/40(a)(ia) is required or not.

#### **Our Offering**



Deloitte's solution for Expense side TDS compliance for Clause 34 enables disciplined and effective management of the Expense side TDS reconciliation cycle. Starting with data ingestion from the source systems and TDS returns, we offer a seamless and methodical system driven approach for reconciling the expense side TDS and identifying gaps and discrepancies. In addition, the reasons for non-deduction against expenses where tax was not deducted at source are also captured for ready reference.

#### **Key Capabilities**



Ingest data from source systems and returns

Reconcile TDS returns (other than salaries) with expense line items

Identify and list mismatches/non-compliances

Provide the output in the form of a report giving details of expenses on which TDS was duly deducted and the reasons for non-deduction of TDS on other expense items

#### **Key Benefits Derived**





Effective Management of Expense side TDS reconciliation



Accurate and Transparent tracking of reconciliation steps



Analytics through Reports and Dashboards

### **Key requirements: Need of the hour**





## Unqualified tax audit report with regard to clause 34

In the absence of this reconciliation, qualified tax audit reports are issued which generally state that the management was unable to provide such a reconciliation. This poses challenges at the time of assessment where greater scrutiny may be conducted by the tax officer resulting into possibility of huge disallowances u/s 40(a)(i) and 40(a)(ia) of the Income Tax Act, along-with interest liability and substantial penal consequences.



## Assist in assessment proceedings

Such reconciliation comes quite handy during the course of assessment proceedings, which facilitates the completion of scrutiny on withholding tax aspects expeditiously and smoothly, mitigating unnecessary disallowances u/s 40(a)(i) / 40(a)(ia).



#### 03 Peace of mind

The reconciliation requires deep diving at transaction level. This helps the management in ensuring that their TDS compliances and positions taken are in order. Any cases of non-deduction are identified and corrective action can be taken immediately.



## Avoidance of interest and penalties

Early detection of shortfalls helps reduce interests and penalties for non-compliance with TDS provisions.